The war; women; and unemployment. (London: Fabian Soc. 1915. Pp. 27. 2d.)

Money, Prices, Credit, and Banking

International Trade and Exchange. A Study of the Mechanism and Advantage of Commerce. By HARRY GUNNISON BROWN. (New York: The Macmillan Company. 1914. Pp. xviii, 153, 197. $1.50.)

This book comprises parts I and II of a projected work on Principles of Commerce of which the remainder, part III, will be devoted to The Transportation Expense of Commerce.

Part I, constituting approximately three sevenths of the book, deals chiefly with foreign exchange; but inasmuch as the book is intended primarly for a textbook, the author approaches the subject through two introductory chapters on the Laws of Money and the Nature of Banking. The underlying monetary philosophy of these chapters is the quantity theory of money; and the analysis of the nature of banking seeks to show who are the ultimate creditors when checks, bank notes, and bills of exchange are employed. Dr. Brown's treatment of the subject is fundamentally sound, but contains nothing that is particularly new, except perhaps the emphasis placed upon the principles of exchange between countries having different standards of value.

He has drawn rather heavily upon Escher's *Elements of Foreign Exchange*, but his treatment is more theoretical than Escher's and he gets farther below the surface. The illustrations, however, show a tendency to be hypothetical. In his treatment of the silver exchanges, for example, the author's illustrations are not drawn from the fund of extremely interesting material available in connection with the Chinese exchanges, or in the somewhat less recent Mexican, Philippine and Straits silver exchanges, but from a hypothetical situation in which the United States is assumed to adopt a 16 to 1 free coinage ratio and thereby to lose its gold. One of the first things a student needs to know in connection with foreign exchange is how to read and interpret the daily exchange quotations; for after he leaves college the source of his information concerning the exchanges will be limited almost entirely to the daily newspapers and the financial press. On this subject, however, the book contains practically nothing except in connection with sterling exchange. The few scattered references to New York exchange on Paris (pp. 96, 97, 111, and 146) give the impression

that this exchange is quoted in terms of American money like sterling exchange instead of in terms of francs as is the practice. No mention is made of the gold-exchange standard, a monetary standard that has had a wonderful recent growth, and is now employed by about one fifth of the world's population—a standard operated through the foreign exchange mechanism.

In his analysis of the price of long bills of exchange (p. 120) Dr. Brown distinguishes two important factors: (1) pure exchange, represented by the demand rate, and (2) interest. While in the case of nearby exchanges the interest factor (for the time of the transit of the bill) in the demand rate is small, this is not true in the case of the more distant exchanges, as, for example, between London and Sydney or between Tokyo and New York. A better basis for computing pure exchange is the cable rate for large bills. The analysis would have been further improved by distinguishing a third factor (previously mentioned by the author, p. 67), *i.e.*, insurance against risk, which is often a very important one in the price of bills (*cf.* Goschen, *The Theory of the Foreign Exchanges*, p. 56).

Part II is entitled The Economic Advantages of Commerce, and is devoted chiefly to a discussion of the rate of interchange of goods between communities, including a careful discussion of the doctrine of comparative costs; the incidence of revenue tariffs; protective tariffs and their influence upon production and distribution; and certain forms of government interference with business such as bounties, subsidies, and navigation laws.

Dr. Brown's philosophy on this subject has a familiar ring, coming as it does from a pupil of the late William Graham Sumner. It may be epitomized in his own words (p. vii):

> The tariff has two effects on prices, primary and secondary. In the first place, the prices of protected goods are directly raised by the tariff, because of the exclusion of cheaper foreign goods. This rise applies only to protected goods, not to money incomes. Next, protection, since it decreases imports, increases the quantity of money in the protectionist country; and this increase of money brings a secondary rise of prices affecting protected goods, unprotected goods and money incomes. The rise of money incomes compensates for the secondary rise of general prices but *does not compensate for the original rise of prices of the protected goods.* Therefore, average prosperity is decreased. In the same way, the effects of protection on wages and on land rent are set forth in general terms and in terms of money prices.

It is only under exceptional combinations of circumstances, the author believes, that a protective tariff might be beneficial to a

country, as, for example, by benefiting wage-earners at the greater expense of landowners (p. 114), but these combinations are rare and unstable and their importance is more theoretical than practical.

In general, it may be said that the book is carefully written and its philosophy will make a wide appeal among economists as being fundamentally sound.

While there is an obvious logical connection between the two parts of the book, the reviewer believes that its value as a textbook would be enhanced were it published in two volumes. It is, on the whole, too heavy to be injected as a textbook in an introductory course in general economics; and, if it is to be used in more advanced courses, it will need to be divided. Part I, on The Exchange Mechanism of Commerce, would in most colleges fall under the course in money and banking, while part II, on The Economic Advantages of Commerce, would fall under the course in some such subject as commerce and commercial policies.

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Money and Banking. By John Thom Holdsworth. (New York: D. Appleton and Company. 1914. Pp. 439. $2.)

Designed chiefly to serve as a textbook in colleges and universities and for young business men who are pursuing studies in this field, this volume promises to take high rank among works of its kind. It possesses to an unusual degree the essential qualities of an introductory manual, most notably, perhaps, a clear and simple, almost conversational, style.

Of some 400 well-packed pages, 120 are devoted to money and credit, and the remainder to banking. Although his treatment of the history and theory of money is thus compressed, some may say disproportionately so, the author has succeeded in giving an admirable historical account of money, with special reference to the United States. His discussion of the principles of money is of scarcely less merit. While the quantity theory of money is stated by paraphrasing and quoting from Professor Fisher's *Purchasing Power of Money*, the relative proof is wisely, according to the reviewer, left to be developed by the instructor. In general, where controverted points are discussed, the method is that of presenting both or all sides, allowing the reader to choose or to effect a compromise. This policy of avoiding debatable